

General Government
Local Government Economic Development Fund

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	32,509,800	42,158,000	37,561,000	41,716,800	41,967,700
Other	12,344,300				
Total General Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL SOURCE OF FUNDS	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY FUND SOURCE					
General Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY UNIT					
Economic Development Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700

The Local Government Economic Development Fund (LGEDF) in KRS 42.458-42.495 is a revenue-sharing program that was created by the 1992 Kentucky General Assembly to provide coal producing counties with the means to diversify their economies. The governing statute mandates that 35 percent of coal severance tax revenue be returned to coal producing counties. Two-thirds of the funds are distributed to individual county accounts using a formula based on coal severance taxes paid from the county, surplus labor rate, relative mining earnings, and relative mining employment. One-third of the dollars are reserved for the Multi-County Fund for joint projects. Kentucky law limits the use of the LGEDF to industrial park development projects, regional parks and job development incentive grants made to individual firms. Currently, 39 of the 45 original counties receive coal severance allocations.

The Governor's Office for Local Development (GOLD) is responsible for LGEDF financial management, accounting, and fund allocation and reporting. It also reviews and approves LGEDF grant applications. GOLD oversees those projects, and others authorized by the General Assembly through the budget. The Cabinet for Economic Development reviews and approves the LGEDF multi-county fund grant applications. It oversees those projects as well as other projects authorized by the General Assembly through the budget.

Policy

The Governor's recommended budget includes support for the Read to Achieve Program in the Department of Education by allocating \$8 million each year from the LGEDF before funds are distributed to localities. The recommended budget continues to provide funding for debt service on School Facilities Construction Commission bonds in the amount of \$4,617,900 each fiscal year of the biennium from the LGEDF before funds are distributed to localities. These bonds were approved by the 2003 Session of the General Assembly.

The Governor's recommended budget includes \$1 million in each fiscal year of the biennium for the Drug Courts program from the LGEDF before funds are distributed to localities. The Cabinet for Economic Development is authorized to transfer an additional \$1 million each fiscal year from the LGEDF Multi-County Fund to the Office of Drug Control Policy to support this effort. These funds will be expended for drug courts serving coal-producing counties only.

Included in the recommended budget is funding to provide local match dollars for the Flood Control Matching-State Dam Repair program in the amount of \$800,000 in each year of the biennium from the LGEDF before distribution to localities. The Cabinet for Economic Development is authorized to transfer an additional \$700,000 each fiscal year from the LGEDF Multi-County Fund to the Fund as well. These funds may be used to provide local match dollars for the federal flood control

program and the Personal Responsibility in Desirable Environment (PRIDE) program. These funds also may be directed to repair state-owned dams in coal producing counties.

The Governor's recommended budget continues the practice of providing support for services provided to coal producing counties by GOLD by allocating \$1,039,700 in each fiscal year of the biennium to GOLD administrative units.

The budget recommendation includes funding for debt service in the amount of \$4,091,900 in each fiscal year of the biennium to fund Coal County Development Fund (water and sewer projects) authorized by the 2003 Regular Session of the General Assembly.

Included in the recommended budget is \$5 million in each fiscal year of the biennium from the LGEDF before funds are distributed to localities for the Need-Based Scholarship Program administered by the Kentucky Higher Education Assistance Authority. Only students from coal producing counties will be eligible for these scholarships.

The budget recommendation allocates \$200,000 each year of the biennium from the LGEDF before funds are distributed to the localities for a Mining Engineering Scholarship Program at the University of Kentucky. Only students from coal producing counties will be eligible for these scholarships.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$7,450,000 from the LGEDF Multi-County fund to the General Fund to pay for debt service the Infrastructure Economic Development Fund for Coal Producing Counties funded by the 2005 Regular Session of the General Assembly.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$1.5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Office of Drug Control Policy Cabinet to support Operation Unite in coal producing counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$1 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Commerce Cabinet to support the Tourism Marketing Program in coal producing counties.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$3.5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Commerce Cabinet to support the Energy R & D Program in coal producing counties. Projects must be targeted solely to Kentucky's LGEDF eligible counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Kentucky Department of Education to support the School Technology Program in coal producing counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$3 million in fiscal year 2008 from the LGEDF Multi-County Fund to the Department of Fish and Wildlife Resources to fund the Wildlife/Elk Herd Interpretive Center capital project.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$300,000 in each year of the biennium to the Environmental and Public Protection Cabinet to fund the Clean Water Act Section 404 permitting activities. These funds will only be made available should the state assume primacy over the program.

Notwithstanding KRS 42.4588(2), LGEDF allocations to each coal-producing county, above the amounts specified through the line item appropriations by the General Assembly, may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development. This requires the concurrence of both the respective fiscal court and the Governor's Office for Local Development or the Kentucky Infrastructure Authority, as appropriate.

Notwithstanding KRS 42.4588(2), LGEDF, Multi-County Fund allocations may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development.

Notwithstanding KRS 42.4582, the quarterly calculation and transfer of funds to the LGEDF shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in each fiscal year has been credited to the Trover Clinic Grant with the Governor's Office for Local Development.